

REMARKS

Claims 1-30 are pending the present application. Claims 1, 12, and 28 have been amended. No new matter has been added.

Claims 1-30 are rejected under 35 U.S.C. §101 because the claimed invention is directed to non-statutory subject matter. Claims 1-30 are also rejected under 35 U.S.C. §103(a) as being unpatentable over Marlowe-Noren (U.S. Patent Publication No. 2004/0193536 A1) (“Marlowe”) in view of Ritchken.

REJECTION OF CLAIMS 1-30 UNDER 35 U.S.C. §101

Claims 1-30 are rejected under 35 U.S.C. §101 because the claimed invention is directed to non-statutory subject matter. This rejection is respectfully traversed.

The Examiner has already acknowledged that these claims are patentable subject matter under 35 U.S.C. § 101. On October 11, 2005, the Examiner mailed a non-final office action rejecting all pending claims under 35 U.S.C. §101 because “the claimed invention is directed to non-statutory subject matter.” On June 14, 2006, in response to the undersigned representative’s arguments, the Examiner maintained his rejection of the pending claims under 35 U.S.C. §101. On October 30, 2006, the Examiner conducted an interview with the undersigned representative regarding the rejection. The Examiner’s Interview Summary states:

Examiner Subramanian clarified the reasons for the 101 and 112 rejections. Applicant’s representatives Mr. Corrado and Mr. Sophir proposed amendments to overcome these rejections. *Examiner made suggestions that would further clarify the claimed invention.* Rejections over prior art of record were discussed. No agreement was reached with respect to the claims.

(emphasis added). On November 13, 2006, the undersigned representative filed a response to the Office Action in view of the interview and amended the claims because “[t]he Examiner acknowledged that amendments of this nature would overcome the rejection.” On February 22, 2007, the Examiner mailed a final Office Action withdrawing the rejection under 35 U.S.C. §101 in view of the amendments. The claims have only had minor amendments since the withdrawal of the §101 rejection. The present Office Action now rejects all pending claims under §101 after the Examiner has already stated that the rejection had been withdrawn. Furthermore, the Examiner’s

present rejection fails to set forth with *any* particularity why claims 1-30 are directed to non-statutory subject matter. The recitation of §101 and a “laundry list” of case law does not explain why claims 1-30 are directed to non-statutory subject matter. Because these claims were already amended and acknowledged as overcoming §101, the Examiner has not presented any reasons why these claims still fail to overcome §101. As a result, the undersigned representative respectfully requests that the Examiner once again withdraw the rejection of claims 1-30 under 35 U.S.C. §101.

REJECTION OF CLAIMS 1-30 UNDER 35 U.S.C. § 103(A)

Claims 1-30 are rejected under 35 U.S.C. § 103(a) as being unpatentable over Marlowe-Noren (U.S. Patent Publication No. 2004/0193536 A1) (“Marlowe”) in view of Ritchken. This rejection is respectfully traversed.

Marlowe and Ritchken fail to teach or suggest each and every element of the pending claims as previously asserted by the undersigned representative. Claim 1, as amended, and claims 12 and 28, as similarly amended, recite “buying from the counterparty a first call option having a second potential financial benefit that is based upon and is the same as the first potential financial benefit.” On page 6 of the Office Action, the Examiner recognizes that Marlowe fails to teach or suggest “a call spread with the counterparty.” Although Ritchken recites a call spread, Ritchken fails to teach or suggest the use of a call spread in conjunction with a convertible security. More specifically, neither Marlowe nor Ritchken teach or suggest a financial transaction having the steps of issuing a convertible security and establishing a call spread.

These two steps in the financial transaction are related as “a first call option ha[s] a second potential financial benefit that is based upon and is the same as the first potential financial benefit [of the convertible security].” The Examiner asserts that a convertible security enables the purchase of 100 shares and a call option can also enable the purchase of 100 shares, so the potential financial benefits are the same. However, as recited in amended claims 1, 12, and 28, the potential financial benefit of the first call option must also be “based upon” the potential financial benefit of the convertible security. The Examiner has yet to establish using these cited references that one of ordinary skill in the art was in possession of such a financial transaction where a call option benefit was ***based***

upon a convertible security benefit. Thus, the Examiner has not yet established a *prima facie* case of obviousness with respect to claims 1, 12, and 28.

Marlowe's "two other instruments" do not cure this deficiency. Marlowe recites the use of two letters of credit - one for a principal payment and one for an interest payment - to secure payment by the issuer. "A financial instrument in accordance with the principles of the present invention utilizes a hybrid, phased collateral structure consisting first of a cash-secured financial instrument which is subsequently convertible to a letter of credit secured financial instrument." Para. [0018]. Generally, Marlowe describes a letter of credit as being used to secure the payment of the issuer's converted note. *See* Paras. [0041]; [0074]. Marlowe's issuer "causes the issuance and delivery (106b) of a letter of credit covering the agreed minimum interest on the Notes ("Interest Letter of Credit")." [0033]. "The Trustee accepts and holds the Interest Letter of Credit for the ultimate benefit of the Subscribers and covering scheduled payments of interest on behalf of the Subscribers." *Id.* These letters of credit are not call options, as recited in the pending claims.

The Examiner's use of Marlowe's letters of credit as "two other instruments" is further improper because the issuer does not have a relationship with a guarantor (for securing payment of a security) that is identical to the relationship with a counterparty (for establishing a call spread). Marlowe recognizes that a letter of credit is only paid when an issuer cannot make the payment. "In this example, the Principal Letter of Credit takes the form of a letter of credit, preferably a standby letter of credit, although a professional skilled in the art may elect to use another letter of credit form which becomes payable upon a call for payment by the Trustee that is ***prompted by the inability of the Issuer to meet a mandatory or optional tender*** of Converted Notes." Para. [0041] (emphasis added). In contrast, when establishing a call spread with a counterparty, the issuer buys a first call option from the counterparty and sells a second call option to the counterparty. This call spread is not equivalent to a letter of credit relationship.

Moreover, the Examiner's assertion that Marlowe teaches "two other instruments" fails to teach or suggest a call spread having a first call option based upon a convertible security. The Examiner's assertion contradicts the acknowledgement that Marlowe "does not explicitly teach the feature of a call spread with the counterparty, comprising the

steps of: buying from the counterparty a first call option having a second potential financial benefit the same as the first potential financial benefit; and selling to the counterparty a second call option with a higher strike price than the first call option that when exercised provides a third potential financial benefit different from the second potential financial benefit.” Office Action, page 6. So the Examiner recognizes the deficiencies in Marlowe, yet continues to assert it as teaching or suggesting the issuance of a convertible security in conjunction with establishing a call spread.

Hence, neither Marlowe nor Ritchken, alone or in combination, teach or suggest each and every element of claims 1, 12, and 28. Since claims 2-11, 13-27, 29, and 30 are dependent on allowable independent claims 1, 12, and 28, dependent claims 2-11, 13-27, 29, and 30 are allowable as well. Therefore, the Examiner has not established a *prima facie* case of obviousness with respect to claims 1-30 of the present application.

For at least these reasons, independent claims 1, 12, and 28, as well as dependent claims 2-11, 13-27, 29, and 30, are patentable over the cited art. It is respectfully submitted that the rejection of claims 1-30 under 35 U.S.C. § 103(a) be withdrawn.

CONCLUSION

The undersigned representative respectfully submits that this application is in condition for allowance, and such disposition is earnestly solicited. If the Examiner believes that the prosecution might be advanced by discussing the application with the undersigned representative, in person or over the telephone, we welcome the opportunity to do so. In addition, if any additional fees are required in connection with the filing of this response, the Commissioner is hereby authorized to charge the same to Deposit Account 50-4402.

Respectfully submitted,

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